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Central Intelligence Agency



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## DIRECTORATE OF INTELLIGENCE

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Japan: Improvement in Trade Relations with  
USSR Unlikely [ ]

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Summary

Tokyo's announced resumption of annual trade consultations with Moscow was apparently precipitated by similar talks between the United States and the Soviets. Tokyo does not want to lag behind if Washington and Moscow improve economic relations. Unacceptable Soviet demands for a long-term economic cooperation agreement and joint resource development projects, however, will probably prevent major improvements in the Japanese-Soviet trade relationship. [ ]

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Closely Watching US-USSR Relations

The Japanese Government views Japan's relations with the Soviet Union as largely dependent on US-Soviet relations and began to position itself last summer to take advantage of an easing between Washington and Moscow. The renewed trade talks, confirmed at a 17 December meeting between Japanese Foreign Minister Abe and Soviet Vice Foreign Trade Minister Sushkov, will be the first such meetings since martial law was imposed in Poland. They are, however, only the latest step in a series of recent exchanges. Abe had proposed to resume the annual meetings shortly after the announcement that President Reagan would meet with Soviet Foreign Minister Gromyko. [ ]

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This memorandum was prepared by [ ] the Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 28 December 1984 was used in its preparation. Comments and queries are welcome and may be addressed to Chief, Japan Branch, Northeast Asia Division, [ ]

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Recent Talks Unsuccessful

The trade consultations follow closely the 12-14 December session of the Japan-USSR Joint Economic Committee, the first of its kind since the invasion of Afghanistan. The Japanese businessmen and Soviet trade officials at the conference did little to improve economic relations. According to the conference's joint statement, the Soviet delegation called for Japanese cooperation in the development of Siberian resources and the modernization of Soviet industry. It also said the Japanese urged the Soviets to supply more goods that met Japanese needs to facilitate a more balanced expansion in trade.

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Prospects for Upcoming Consultations

The renewed trade talks, scheduled for late January, will bring together Bureau Director General-level officials from the Soviet Foreign Trade Ministry and the Japanese Foreign Ministry. Because of the proposals Moscow is expected to table, however, we believe the talks will not have much of an effect on the economic relationship:

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The Soviets will probably call for a long-term economic cooperation agreement.

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Prime Minister Nakasone and the Foreign Ministry, however, have consistently rejected the idea, largely because they regard it as one of the Soviets' priority goals. They will probably continue to do so to maintain leverage on Moscow.

Moscow will probably push for Japanese cooperation in Siberian resource development projects. The Japanese want to increase equipment sales to the Soviets, promoted by such projects. But the huge infrastructure investments required to exploit the region, and the extended slump in raw material demand, as well as other factors, will continue to make them hesitant about enlarging their role.

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[REDACTED]

-- The Soviets will keep pushing Tokyo to use leverage on Japanese electric power companies in order to extract firm commitments to purchase liquefied natural gas from the Sakhalin project. Foreign Minister Abe has said that that decision is up to the industry and the government cannot intervene. At present, the power companies' supply needs are met into the early 1990s. Their requirements after that are uncertain.

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-- Moscow will probably ask for Japanese cooperation in acquiring high-technology items for "factory modernization." Government officials and businessmen alike, however, are increasingly aware of US pressure to stem the flow of strategically significant technologies. We expect Tokyo will be cool to the Soviets' proposal, citing COCOM regulations. [REDACTED]

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